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RHHMUNA/USPACOM HONOLULU HI
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S E C R E T SECTION 01 OF 02 TAIPEI 003627

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E.O. 12958: DECL: 10/24/2017

TAGS: [PGOV](#) [MASS](#) [TW](#)

SUBJECT: DEFENSE MINISTER LEE REPORTS EXTENSIVE MND AND LY
COORDINATION ON THE BUDGET

REF: A. TAIPEI 3587

[1](#)B. TAIPEI 3588

[1](#)C. TAIPEI 3589

Classified By: AIT Director Stephen M. Young,
Reasons Sec 1.4 (a/b/d)

Summary

[1](#)1. (C) During an October 23 meeting with Director, Defense Minister Lee Jye briefed on recent discussions with key LY members on the long-stalled defense budget and committed to continued close contact with AIT on this subject. Lee informed Director of a recent letter from former Deputy Secretary Armitage on defense items, and Director made clear

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the importance of the U.S. remaining impartial when more than one U.S. company is involved in a commercial deal. Director urged the Minister to keep working closely with all political parties in getting a suitable defense budget passed during this fall's legislative session. End Summary

Extensive Discussions on Both Sides

[1](#)2. (C) Lee reported that last week he was invited to talks with the five main political parties and all but the People First Party (PFP) arrived at a consensus within the Procedural Committee to allow the Arms Procurement Supplemental Budget to pass to the LY. Director Young provided an overview of his visit to the United States. He also referred to his meetings with Premier Su Tseng-chang, KMT Chairman Mayor Ma Ying-jeou, LY Speaker Wang Jin-pyng, (Refs A,B,C) and pointed out that much depends on Ma's leadership. Ma is the key as his party has the most votes in the LY. Director Young indicated that he would be seeing National Security Council (NSC) Secretary General Chiou I-jen in the afternoon. Lee told the Director that he had not spoken to Ma recently, but he had dispatched retired former CINC of the Navy General/Admiral Cheng Pang-chi as a consultant to brief and advise Ma. Lee also reported that he had monthly contacts with others in the KMT and that the

overwhelming discontent with President Chen Shui-bian and lack of military experience had caused the KMT to misquote sources from the United States. Lee stated that the MND has had over 2000 meetings (no time-frame specified) with the KMT to discuss budget matters.

¶3. (S) Young advised the Defense Minister that he was preparing for an AIT press conference on Thursday, 26 October during which he would discuss Taiwan's defense budget. The message being sent is that Taiwan should provide for its defense for the sake of Taiwan and not for the needs of the United States. Lee welcomed this step and suggested the Director could speak on behalf of the American Government on the importance of the security relationship and explain that Taiwan's security is in America's interest. VADM Kao Kuang-chi (Policy and Administration) asked the Director if he could say some positive comments about the MND during his press conference. The DM said that he would prefer that the Director speak about the close U.S.-Taiwan working relationship, pointing out that while Taiwan does not have diplomatic relations with the U.S., our cooperation is better than with some diplomatic allies.

¶4. (C) Minister Lee predicted that the Taiwan press will ask Director Young about a letter that was sent to MND from Mr. Armitage. Minister Lee handed the Director a copy of a letter from Armitage International that was faxed to the MND on October 17, 2006 and also sent to President Chen Shui-bian and Premier Su Tseng-chang. In the letter, Armitage, on behalf of L-3 Communications/Integrated Systems, asked Taiwan: "to take advantage of the competitive process that will ensure that you get the best value". The letter is in reference to Taiwan's P-3C program which Taiwan has decided to go sole source with Lockheed. Director Young stated that if asked by the Taiwan press, he would say that Mr. Armitage is a private citizen and the Director has not taken any side

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on the issue. Director Young pointed out (similarly expressed in the Armitage letter) that no matter what Taiwan decided, this issue should in no way slow down the P-3C procurement and budget process.

Washington Thinking and Budget Focus

¶5. (S) Director Young pointed out that Washington was focused on the Korean Nuclear test. He said that Taiwan should look to what Japan is doing to enhance its defense, pointing out that the current threat to Taiwan from China was far greater than the North Korean threat to Japan. Director Young indicated that at a minimum he was thinking that approval of the P3-C, PAC-2 upgrade, some future look at the PAC-3, a two-phase submarine program and an improvement in the overall budget numbers would send a strong signal to Washington that Taiwan was serious about its security. The Director pointed out that if Taiwan waits until 2008, then the American political process may be more complicated.

¶6. (S) Young encouraged Lee to continue to work with all parties no matter how difficult the discussions.

Comment

¶7. (S) While the Defense Minister was sincere and thoughtful on all issues, the negotiations for the arms package are very complicated. We suspect we have not seen the last of the political infighting. Our bottom line is that Taiwan needs to figure out a way to help itself and we stand prepared to assist as best we can.

YOUNG